

Message Text

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ACTION EUR-12

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DA WASHDC
USAF WASHDC
USCINCEUR VAIHINGEN GE
CINCUSAFE RAMSTEIN GE
CINCUSAREUR HEIDELBURG GE
USMISSION NATO
USNMR SHAPE BRUSSELS
AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE

CINCESNAVEUR

C O N F I D E N T I A L ROME 8294

E.O. 11652: GDS
TAGS: MILI, IT
SUBJECT: NON-APPROPRIATED FUND ACTIVITIES

1. SUMMARY: REQUIREMENT THAT NON-APPROPRIATED FUND
ACTIVITIES BE SELF-SUPPORTING MAY WELL CAUSE SERIOUS
LABOR PROBLEMS AT U.S. INSTALLATIONS IN ITALY IN NEAR
FUTURE. END SUMMARY.

2. THERE ARE APPROXIMATELY 1000 ITALIAN EMPLOYEES OF
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NON-APPROPRIATED FUND ACTIVITIES IN ITALY. GIVEN ITALIAN
SYSTEM OF WAGE INDEXATION LOCAL LABOR COSTS ARE RISING
BETWEEN 15 AND 20 PERCENT A YEAR. THIS HAS ALMOST
GEOMETRICAL IMPACT UPON EMPLOYING AGENCY BECAUSE IT
MUST MAKE ALLOWANCE FOR LIQUIDATION PAY EQUAL TO
ONE MONTH'S FINAL SALARY FOR EACH YEAR'S SERVICE. WITH
EVERY WAGE INCREASE, THEREFORE, TOTAL BURDEN OF LIQUIDA-

TION PAY RESERVED ESCALATES RAPIDLY. VAST MAJORITY OF EMPLOYEES HAVE MANY YEARS SERVICE AND RELATIVELY HIGH SALARIES RESULTING FROM LONGEVITY.

3. FACING THESE RISING COSTS ARE, IN MOST CASES, DECLINING FUND ACTIVITIES IS DECREASING WITH PROPORTIONATE DECLINE IN REVENUES. NAF CLIENT POPULATION FOR NSA NAPLES, FOR EXAMPLE, HAS DECLINED FROM AROUND 13,000 TO 9,000.

4. RECENT LEGISLATION REQUIRED THAT OFFICIAL SUBSIDIZATION OF NON-APPROPRIATED FUND ACTIVITIES BE PHASED OUT. THIS WILL REQUIRE EITHER A REDUCTION IN OPERATING EXPENSES OR AN INCREASE IN REVENUES IF THE NON-APPROPRIATED FUND ACTIVITIES ARE TO SURVIVE. THE LATTER, DEPENDING UPON AN INCREASE IN PRICES, IS NOT A PRACTICAL ALTERNATIVE. TO RAISE THEM FURTHER WOULD CAUSE BOTH A SERIOUS MORALE PROBLEM AND A FURTHER DECREASE IN USE OF FACILITIES.

5. ONLY APPARENT ALTERNATIVE IS TO REDUCE LABOR FORCE. UP TO PRESENT, ACTIVITIES HAVE DONE THIS BY LETTING U.S. EMPLOYEES GO. THIS SLACK IS NOW, HOWEVER, GONE AND TIME WHEN REDUCTION OF ITALIAN LABOR FORCE IS NECESSARY IS RAPIDLY APPROACHING. WE UNDERSTAND, FOR EXAMPLE, THAT NSA NAPLES IS THINKING IN TERMS OF LAYING OFF 35 ITALIAN EMPLOYEES THIS SUMMER.

6. WHEN AND IF THIS HAPPENS, THERE WILL INDOUBTEDLY BE GENERAL STRIKE AT VERY LEAST AGAINST BASE INVOLVED. ITALIAN LABOR UNIONS REFUSE MAKE DISTINCTION BETWEEN CONFIDENTIAL

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APPROPRIATED AND NON-APPROPRIATED FUND ACTIVITIES AND WILL NOT ACCEPT ARGUMENT THAT USG CANNOT SUBSIDIZE LATTER. UNIONS WILL NOT HESITATE STRIKE AGAINST APPROPRIATED FUND ACTIVITIES IN EVENT OF REDUCTION IN FORCE IN NON-APPROPRIATED FUND ACTIVITIES.

7. EMBASSY BELIEVES THAT SUBSTANTIAL LAY-OFFS IN NON-APPROPRIATED FUND ACTIVITIES COULD BRING MILITARY OPERATIONS TO HALT WHERE REDUCTIONS OCCUR AND COULD JEOPARDIZE OUR POSITION HERE. WE HAVE NOT AS YET INFORMED MFA OR MOD OF THE POSSIBILITY OF LAY-OFFS, BUT WHEN WE DO WE WILL NOT RECEIVE MUCH SYMPATHY. WE DOUBT GOI WILL ACCEPT OUR INABILITY SUBSIDIZE CLUBS, ETC., ANY MORE THAN LABOR UNIONS DO.

8. THE NAF PROBLEM WILL SOON BECOME ACUTE AND THERE APPEARS LITTLE BEYOND THE OBVIOUS THAT WE CAN DO NOW TO ALLEVIATE IT. WE HOPE THE OBVIOUS INCLUDES SUCH COMMON SENSE POLICIES AS NOT HIRING REPLACEMENTS FOR THE INFREQUENT RETIREE IN THE INTERIM. MOREOVER, WE WOULD HOPE THAT ANY VACANCIES IN

FUNDED ACTIVITIES WILL BE FILLED BY TRANSFERS FROM NAF--EVEN IF IT MEANS THAT THE QUALITY OR QUANTITY OF NAF SERVICES MAY BE REDUCED. A LITTLE INCONVENIENCE NOW WILL EASE THE PAIN LATER. MORE IMPORTANT, IT IS PERHAPS TIME FOR THE DOD TO TAKE A HARD LOOK AT THE NECESSITY FOR, IN ADDITION TO THE VIABILITY OF, NAF ACTIVITIES. WITH THE COST OF NAF ACTIVITIES IN MANY CASES EQUAL TO THAT FOR SIMILAR ACTIVITIES OFF-BASE, THERE SEEMS LITTLE JUSTIFICATION FOR ATTEMPTS TO KEEP SOME OF THEM IN OPERATION INDEFINITELY. THERE ARE OF COURSE U.S. MILITARY INSTALLATIONS LOCATED IN AREAS OF ITALY WHERE THERE ARE NO OFF-BASE ACTIVITIES AVAILABLE TO U.S. SERVICEMEN. IN SOME CASES, CLOSING AN ON-BASE ACTIVITY COULD ENCOURAGE LOCAL ENTREPRENEURS TO OPEN SIMILAR ONES. IN SOME CASES, HOWEVER, MAINTENANCE OF AN ACCEPTABLE LEVEL OF MORALE IN SMALL AND ISOLATED INSTALLATIONS WOULD REQUIRE RETAINING MONEY-LOSING NAF FACILITIES. IN OUR VIEW THE DOD OUGHT TO

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SUBSIDIZATION WHERE IT IS GENUINELY NEEDED, AND TO IDENTIFY THESE ACTIVITIES WHICH CAN BE THROUGHOUT AS EMPLOYEES RETIRE OR ARE ABSORBED INTO REGULAR ACTIVITIES.

9. EMBASSY STRONGLY RECOMMENDS DEPARTMENT BRING THIS MATTER TO ATTENTION OF HIGHEST LEVELS IN PENTAGON TO ENSURE THAT IMPACT OF RIF'S ON OUR MILITARY OPERATIONS IN ITALY IS CLEARLY UNDERSTOOD, AND TO URGE THAT WHERE POSSIBLE REMEDIAL ACTION BE TAKEN TO LESSEN THAT IMPACT. GARDNER

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